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## THE TRANSPORTATION PROBLEM.

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TRANSPORTATION, previous to the present time, was a matter of muscle, of currents of wind, of currents of water ; it lacked the unifying element that is attached to steam, to electricity, to gas. Wherein does this unifying element consist ? It is in the limitless nature of these expanding and propelling forces. They can be supplied inexhaustibly, and the cost of their production is no gauge whatever of their value. Wherein, then, is the limitation in their use ? It is in their plant, in the right to use a plant, and in the demand for the services they can perform. The plant, on the ground of its cost and the right to have a plant, practically gives to the possessors of this plant the possession and control of these forces that exist so inexhaustibly in nature ; if some one by some unusual and extraordinary means makes the lodgment of another plant or fraction of a plant, it soon becomes incorporated and unified with the other, and the matter stands as before, controlling and administering the forces of nature in the services which they perform for humanity. Up to a certain point additions, perhaps by encroachment or competition, are made upon the plant, but a point is at length reached where wants are fully provided for, and from this point the possessors of the plant are in full possession of administrative powers of very important natural forces, and of forces that have come to be part of the existence of people living in society.

The use of these forces in this way has become so great that they seem almost half of our modern life, and they are indiscriminately classified with other activities.

What are other activities of ordinary life ?

Production of articles of human necessity from the soil.

Raising raw articles to higher values by manufacture.

Trade (excluding transportation as above described), part of

which is the function of the merchant, and part the function of the banker.

Communication of intelligence without reference to form, as elemental, business, artistic, spiritual.

In these four classes of activities there is no permanent unifying element. The man or the firm is a unit, acts for himself or itself, and is in competition with others of the same class. These four are competitive activities, while those springing from transportation are non-competitive, or are only temporarily competitive.

In these non-competitive activities is the basis of innumerable lives of ease, of luxury, of indulgence, of indolence, of non-activity. It has been the thought and hope of many that there would be a regulative influence upon large fortunes of this kind in the death of their possessors and the distribution which would then take place; that among the successors there would be a rapid decadence of the spirit of thrift, through ease, and indulgence, and lack of incentive, and that the original fortunes would soon pass to new holders, and so there would be an avoidance of any excessive number of great fortunes, which we have been taught to believe in this republican country is an evil. This matter has not had time to work itself out; we are yet in the first generation of most of the great fortunes, and so can only take an *a priori* view of the later distribution. It is idle for us to try to be very wise upon this point; to know whether the distribution talked about will work any serious corruption in society through degeneracy of the distributors, will breed in juxtaposition with the deprivations of others any serious tumults, whether there will not be a considerable number who will not squander but will hoard, whether great fortunes will not come together by marriage and descent, and whether each generation will not add to the number by fresh creations, and so the evil, and embarrassment, and departure from the traditional *régime* of the country which this generation has seen be maintained and perpetuated in other generations.

The menace and the danger and the injury to the institutions of our country and the happiness of our people that come from fortunes, come chiefly from those fortunes that rest upon the non-competitive activities that distribute nature's forces by means that cannot be duplicated, either by reason of no necessity for more

means, or because the State is not willing to put up with the inconvenience and injury to other properties which such duplication would imply, or because additional means would be swallowed up by existing ones.

As the creation of the means of transportation has been the great feature of active life of the past twenty years, so the control of these means, quite different in character from the creation of them, has been the chief prize that has been struggled for.

The great instrument for securing this control has been the Stock Exchange of the City of New York. Here have been focused the railroad properties of this country. It is easy enough for one who has the money to go where they have articles for sale and buy anything there, but this goes a very little way towards describing the transactions of a stock exchange. The chief indices of a stock exchange, and differentiating it from ordinary places where buying and selling go on, are the "margin" and the "short sale."

The two following tables illustrate what can be done on a stock exchange starting with a capital of \$100,000 and with uninterrupted progress either on the bull or the bear side, the earnings being reinvested at each three per cent. advance or decline. The effect, of course, is precisely the same whatever may be the value of the stock at the outset—\$100 being taken as an illustration—and whether the dealings are in one or a number of stocks. We see how a change of fifteen per cent. either way with \$100,000 invested makes nearly \$1,000,000, from which is to be deducted the brokerage, and on the long account the interest on the money invested, and on the short account the money paid for the use of shares borrowed to deliver, and of which the operator becomes "short," and which consequently stands in lieu of the interest expense on the long account.

#### THE LONG ACCOUNT.

Capital.	Mar- gin. Per ct.	Value of stock pur- chased.	Price per share.	Number of shares pur- chased.	Total of purchase money and margin.	Gain by 3 per ct. advance.
\$100,000	5	\$2,000,000	\$100	20,000	\$2,100,000	\$60,000
160,000	5	3,200,000	103	31,067.9	3,360,000	96,000
256,000	5	5,120,000	106.09	48,260.9	5,376,000	153,600
409,600	5	8,192,000	109.27	74,970.2	8,601,600	245,760
655,360	5	13,107,200	112.55	116,467	13,762,560	293,216
1,048,576	5	20,971,520	115.91	180,930	22,020,096	629,145

## THE SHORT ACCOUNT.

Capital.	Mar- gin. Per ct.	Value of stock sold.	Price per share.	Number of shares sold.	Money in- vested, margin only.	Gain by 3 per ct. decline.
\$100,000	5	\$2,000,000	\$100	20,000	\$100,000	\$60,000
160,000	5	3,200,000	97	32,987.7	160,000	96,000
256,000	5	5,120,000	94.09	54,415.9	256,000	153,600
409,600	5	8,192,000	91.27	89,755.6	409,600	245,760
655,360	5	13,107,200	88.54	148,037	655,360	393,216
1,048,576	5	20,971,520	85.89	244,167.1	1,048,576	629,145

In the last of the transactions recorded on the short account, the number of shares sold can be seen to be 244,167, and on the long account the number purchased 180,920. This would be no very surprising amount of business with an aggregate say of 700,000 to 800,000 shares traded in per day, and which the New York Stock Exchange has shown in an active season many days in succession, and with business one day last December amounting to 1,200,000 shares. The thing is to have the market in your favor, and this is what the business of this country has greatly hinged upon during the last twenty years. To the fact that certain men have been able to have the market in their favor we can ascribe very largely the present distribution of wealth. This advantage rests upon superior knowledge and the power of manipulation. Some fluctuations are natural in their character, and he who has the advantageous point of observation can anticipate them and act accordingly, and, occupying a point from which he can observe all facts, with the power of great capital, with facilities for "rigging" the market in its various forms by lying reports, by withheld reports, by deceptions in regard to earnings, by making money plentiful or scarce in the loan market, he can produce his own fluctuations, and get the benefit of them. Of course, it is "Napoleons" required to do this, but Napoleons arise in the emergencies that give them opportunity to work. The railroad management of this country is not yet solidified, and the gravest jealousies exist, but they are becoming less. Families and individuals gorged with wealth may not enter the struggle, they may prefer repose to new ambitious schemes, and again, others in this position are still insatiate.

The construction of railroads is not alone the opportunity of egregious wealth.

Let us summarize the excessive weight and accompaniments of the transportation magnates in the affairs of this nation :

They have captured many choice transportation properties ; the

properties run on assessments, on receivers' certificates, on promises to pay, they are not known to be much interested in ; they do not care to interfere with the perfect liberty of the public to hold these properties.

Their properties grow apace ; see the progress from the first to the second Vanderbilt, \$100,000,000 grown to \$300,000,000 in less than ten years, and the second Vanderbilt with no record for ability until his accumulations clearly evinced themselves.

The very laugh of the augurs regarding the political issues ; the one political issue that they know is not to have their franchises impaired.

Their wealth and the political weight it carries with it on the side of the *status quo* in economics and politics. Controlling important commercial affairs through transportation, and eliminating competition here as well as in transportation itself.

Impairing the influence of the vote and of the patriotic voice and energy of the individual, the unit on which must rest the safety of popular institutions.

Clogging the wheels of parliamentary, which is, or should be, free government.

Throwing suspicion upon, and impairing the impartiality of, the courts.

Becoming the governors and dispensers of patronage of the nation.

Lack of sympathy with the average man, who lives by his competitive labor.

Establishing sycophancy by means of their untrammelled power as an important element in political, business, and social life. By the excessive accumulation of themselves and of those near them reducing the possible accumulations of multitudes of others, and so impairing the consumptive power of the nation and consequent demand upon production. (This point is becoming a controverted one by the friends of the present system of distribution of wealth and a new special school of political economists, they claiming that free consumption is waste and that it is better the power of consumption should be limited through restricted means of gratifying it on the part of the many.)

Beyond acting as administrators, or quasi administrators of the property they represent, contributing nothing to the social economy proportionate to the power lodged with them.

Establishing a taxing and administrative governing power entirely independent of and beyond the reach of the people.

Corrupting political life in its source, the suffrage power, and in all its ramifications.

Impairing the traditions of the nation, violating the most accepted ideas of justice, and leading us to we know not what, but threatening of anarchy, despotism, or a complacent loss of liberty and independence.

The railroad system of the country works toward a single management, an entirety, a pool. The telegraph system has almost reached it. The gas service of cities has reached it, or is rapidly reaching it, and the same is true of the street car systems. They follow the precedents of the postal service, the water, and the sewerage systems of cities. Except in the case of the post-office, water, and sewerage, these are new facts—new economic facts—none of them had hardly revealed itself longer ago than ten or fifteen years, although we had from the first the prophecy of Stephenson regarding railroads, that where combination is possible competition is impossible. The political economy of Great Britain that was rounded and perfected as a science after the repeal of the Corn Laws, but has since been so demolished in its wage fund theory, that now rests so unsteadily on its premises in the theory of Malthus, and that in general has suffered rack, had incorporated nothing on the unity of transportation, and it is a fresh subject for this generation with which to deal.

This country has been singularly destitute of any economic regimen. Our health has been so rude and strong that we have needed none. We could look to our Western domain and bid defiance to the economies practiced by the old and the circumscribed nations. Turned in upon themselves they have studied things that we have not studied ; we have almost thought that there were new laws of humanity for us. We are becoming somewhat rudely aroused to the fact that there are laws for the government of our constitution, nor can we hardly believe that they are a different set of laws from what govern our fellow mortals in other lands. One thing stands out : the authorities of other countries have had some system, some policy in regard to railroads,—we have had none except to let them take care of themselves. We find ourselves now, however, in the presence of a problem in connection with them.

One thing it is well to bear in mind—there is no fore-ordination in national affairs. A nation can be wise and it can be foolish. Providence takes no more recognition of fifty millions of people than of one, and its laws are alike immutable for bumble bees, associations of men, the earth's crust, and the sidereal system. We have felt so assured of our political future that we have chiefly regarded politics as a play, something to be perfunctorily gone through with as a pleasure, and for the glory of it, and to which only slightly differing degrees of prosperity attached; serious national life has not penetrated, or has only just begun to penetrate, our politics. Our Civil War itself, exceedingly serious before its close, had not a serious inception in the minds of any great number of people. Each side, in its way, looked for only a flash of powder and "glory," and American optimism saw nothing serious or evil to come from it.

Other nations have grown apace in the governing function with the railroad development; we have not.

One thing we are beginning to recognize—that there are great economic advantages in a centralized management. We see an immense evil in too many railroads: the country cannot assimilate them. Financial skill directed to railroads, as now developed, is to enable them to live on almost nothing; is for one railroad to get the better of another railroad; is to wipe out indebtedness and to start anew; is to be able to borrow money on shadowy prospects of being able to repay it. No railroad financier, or scarcely any, creates business for his railroad; the best he can hope for is to get a lion's share of what there is, and after everything is considered, circumstances generally make the financial position of the road. Financing in railroads, aside from economy in construction and management, is mostly pure friction, in which innocent parties are the sufferers. All this is greatly eliminated by the pool. The argument that favors an East and West-bound pool, a Pacific pool, a Southwest pool, a passenger pool, favors, a step further on, a pool of all sections, of all roads, and of all divisions of the business; we then reach the result to which we are now tending. It is not in legislative bills, nor in the American Eagle, however high he may soar or excitedly he may flap his wings, to keep this back. The impotence of this nation regarding railroads may be added to



by obstruction, power developed by action harmonious with manifest destiny.\*

The question of the future of railroads in this country is not in regard to a growing centralization of management ; that is already provided for by natural laws of association that have a higher charter than those that can be put upon statute books of states or nation. What concerns us now to consider is, how the centralization is to be superintended and guided, whether with an evolution favorable to us as a people, or favorable to private wealth and the violence to common prosperity which that implies.

It is not to be denied that great national prosperity can exist with wealth and power in few hands ; it is almost the history of advanced nations and of civilization that it is so. With leaders that can wield the power of the nation, with a learned class to absorb the knowledge and the arts of the time and to advance them, there are possessed all the conditions necessary for a strong, advancing, and wise nation ; but we, the United States, claim to be on higher ground and to have drawn, and to be able to draw, other nations to higher ground ; we claim that we are a nation of the people, by the people, and for the people, and will make others such ; but with a powerful organization or a few powerful organizations controlling the railroads of the country and in great measure only under nominal subjection to the power of the people through their representatives in legislative, executive, and judicial positions, we have made a distinct movement backward ; we are going backward while other nations are going forward, and

\* This was written before the recently enacted Inter-State Commerce Law had been proposed in Congress. That law, in prohibiting "the pooling of freights of different and competing railroads, or dividing between them the aggregate or net proceeds of the earnings of such railroads" prohibits the main feature of the railroad pool, but it has other features. Those features pertain chiefly to the publicity of tariffs and the settlements of accounts and balances between railroads as by a clearing-house. One railroad, as the business is now developed, and except in the case of a few leading lines, without dependence upon other roads, would do almost exclusively a local business, and would be, either in one or both extremities, "from nowhere to nowhere." This community of interest is likely to hold together in any event a joint agency of the railroads. It now remains to see what will be the result of the prohibition of the main feature of the pool, and inasmuch as the new law can be accepted as the highest wisdom of the chief law-makers of the nation on the subject of Inter-State commerce in their collective capacity, it is the duty of all to accept it in good faith, and to rest assured that the period of Congressional neglect on this subject is over, and that if it proves imperfect, it can be readily amended.

we stand guilty at the bar of national jurisprudence of infidelity to the principles we have so flauntingly proclaimed.

The very exigencies of an equitable public control of these properties of the nation and of cities may bring about, in greater or less degree, national and municipal ownership. In that case is the individual as such enfeebled by deprivation of power or of fields of activity? No! There still remain the four classes of activities laid down earlier in this article as the province of the individual, viz.: Production of articles of human necessity from the soil; raising new articles to higher values by manufacture; trade (excluding transportation as described), part of which is the function of the merchant and part the function of the banker; communication of intelligence, elemental, business, professional, artistic, and spiritual. The race has developed and thrived with individual activity in these spheres. The new function of transportation is a centralizing function, and the administration of it, not absolutely, but in a degree depending upon circumstances, is an office of the government.

JOHN C. WELCH.